GREAT LAKES PILOTAGE AUTHORITY

SUMMARY

OF THE CORPORATE PLAN

2015 to 2019

Approved by the Board

September 11, 2014

Includes:

Operating Budget – 2015

Capital Budget - 2015

GREAT LAKES PILOTAGE AUTHORITY

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GREAT LAKES PILOTAGE AUTHORITY

2015-2019 CORPORATE PLAN SUMMARY

EXECUTIVE SUMMARY

The Great Lakes Pilotage Authority (the Authority) continues to operate in an unpredictable economic environment which impacts its traffic forecasting accuracy, and thus, complicating the budgeting process.

The last recession in 2008 and 2009 had devastating effects on marine traffic in the Great Lakes region as volumes declined by over 40%. The Authority responded to the recession in reducing its 2009 operating expenses by over 15%. Cost reductions were generated by reducing staffing levels as well as reducing administration expenses and other operating expenditures.

The Authority has been able to reduce the 2009 accumulated deficit of $5.5 million in the last four years. Based on current results, it forecasts to be able to further reduce the accumulated deficit to $0.4 million at the end of 2014 and to completely eliminate it by 2015.

Vessel traffic in the Great Lakes remains relatively stable following the rebound from the 2008 recession and is generally expected to remain at post recession levels for the planning period. The main drivers of traffic continue to be inbound steel products and inbound of heavy lift cargo for the oil sand projects and the windmill focus. The outbound traffic continues to be Canadian and American agriculture products. With the elimination of the Canada Wheat Board monopoly and the Canadian grain, it appears that the export traffic has increased slightly. Foreign export shipping of the record 2013 western grain crop has played a role in moving western grains to market in a more expeditious fashion. The export market for coal to China out of the Great Lakes has dried up due to the significant reduction in China's requirement for coal given its continued slow economic recovery.

The 2015-2019 Corporate Plan Summary is being prepared under the assumptions that the economic environment remains similar to the one experienced in the last four years. The Authority does not receive Federal Government appropriation, but continues to review all costs and seeks initiatives to reduce or eliminate discretionary expenses that do not reduce the safety factors of providing pilotage services, which is consistent with the Government of Canada's actions for cost containment.

The Authority is currently meeting with its major stakeholders to assess the increase to its general tariffs and adjustments to the 12% surcharges for 2015, 2016 and 2017 as to allow the Authority to eliminate its current accumulated deficit, to maintain a negotiable surplus while establishing fair and reasonable tariff rates to its customers. The Authority continues to have open and transparent discussions with its stakeholders to reduce the tariff surcharge over the 2015 to 2019 planning period. The users of the pilotage services will benefit from reductions of the surcharge for the planning period while seeing slight increases to the general tariffs. The Authority is planning modest 0.5% to 1.5% net impacts on the overall tariffs during the planning period.

All four pilot collective agreements are valid and are not up for renewal until 2017. The agreements stipulate average annual wage increases over the term of the agreement, which increases the Authority's forecasting accuracy given pilot wage expenses account for approximately 70% of its operating costs.

Given the forecasted traffic is expected to remain at current levels, the Authority's manpower levels are expected to remain fairly stable for the five year planning period. In the event traffic does increase and additional pilots are required to perform pilotage duties, the Authority has in place eligibility lists with qualified mariners for all of its pilotage areas.

1. MANDATE

The mandate of the Authority is to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The *Pilotage Act* provides that the pilotage tariffs shall be fair, reasonable and sufficient and, together with any revenue from other sources, shall permit the Authority to operate on a self-sustaining financial basis.

2. CORPORATE PROFILE

BACKGROUND

The Great Lakes Pilotage Authority, Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11th, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority is deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*. On October 1st, 1998, the Authority ceased to be a subsidiary of the St. Lawrence Seaway Authority and has surrendered its charter under the *Canada Business Corporations Act*.

The Authority is exempt from any income taxes.
The Authority is not an agent of Her Majesty.

POWERS

To carry out its responsibilities, the Authority has made regulations, approved by Order-in-Council, pursuant to the *Pilotage Act* for:

1. The establishment of compulsory pilotage areas.
2. The prescription of the ships or classes of ships subject to compulsory pilotage.
3. The prescription of the classes of pilot licenses and classes of pilotage certificates that may be issued.
4. The prescription of the tariffs of pilotage charges to be paid to the Authority for pilotage services.

In addition, the Authority is empowered by the *Pilotage Act* to:

1. Employ such officers and employees, including licensed pilots, as required.
2. Contract with a body corporate for the services of licensed pilots.
3. Make by-laws respecting the management of its internal affairs.
4. Purchase, lease or otherwise acquire land, buildings, pilot boats and such other equipment and assets as may be required and to dispose of any such assets acquired.
5. Borrow money for the purpose of defraying the expenses of the Authority.
6. With the approval of the Minister of Finance, invest any money not immediately required for the purposes of the Authority in bonds or other obligations guaranteed by Her Majesty

in right of Canada and Provincial Treasury Bonds guaranteed by the Provincial Governments.

CORPORATE OBJECTIVES

The Authority's corporate objectives are:

- To provide economic, safe, reliable and comprehensive marine pilotage and related services in its region of responsibility.
- To provide the above services within a commercially-oriented framework directed towards achieving and maintaining financial self-sufficiency at the least cost to the user.
- To be responsive to the Government's environmental, social and economic policies.
- To promote the effective utilization of the Authority's facilities, equipment and expertise through the productive application of these resources in such activities and geographic areas as may be appropriate in the interest of safe navigation.

The Authority must follow the *Pilotage Act's* directions under Section 33(3) when it comes to tariffs. The tariffs of pilotage charges prescribed by an Authority under the Act shall be fixed at a level that permits the Authority to operate on a self-sustaining financial basis and shall be fair and reasonable. Under Section 36.01 of the *Pilotage Act* the Authority cannot receive any payment under an appropriation by Parliament to enable the Authority to discharge an obligation or liability.

MISSION STATEMENT

The Authority is to establish, operate, maintain and administer in the interest of safety, an efficient pilotage service within the Great Lakes region for commercial vessels.

VISION STATEMENT

Partners for safe vessel transits on the Great Lakes. The Authority is striving to provide the most economical and effective pilotage system on the Great Lakes. Marine pilotage will always be associated with some level of risks. Protecting lives and property while maintaining public confidence is paramount. The Authority and its partners will have the trust and confidence of the public as long as their efforts contribute to the protection of life, health, the environment and property.

DESCRIPTION OF THE OPERATIONS

The Authority operates in the interest of safety, a marine pilotage service in all Canadian waters in the Provinces of Ontario, Manitoba and in Quebec south of the northern entrance to the St. Lambert Lock.

Services are provided through the performance of pilotage assignments to those vessels entering the region which are subject to compulsory pilotage by pilots employed by the Authority, using pilot boats contracted by the Authority and dispatch services, both controlled through the Authority's Headquarters in Cornwall, Ontario.

The Authority must co-ordinate its efforts and operations with a number of other organizations such

as the St. Lawrence Seaway Management Corporation and the United States Seaway Development Corporation, who operate the lock facilities, and maintain traffic control systems within the Region; the Canadian Coast Guard, who provide aids to navigation and the United States Coast Guard, who are responsible for the United States pilotage matters in international waters.

The Authority operates in the following six regions:

- Cornwall District
- International District No. 1
- Lake Ontario
- International District No. 2 (including the Welland Canal)
- International District No. 3 (including Lakes Huron, Michigan and Superior)
- The Port of Churchill, Manitoba

CORPORATE GOVERNANCE

The Great Lakes Pilotage Authority's approach to Corporate Governance is fully consistent with the philosophy and objectives of the Department of Finance and the Treasury Board's Guidelines for Crown Corporations.

Role of the Board of Directors

Corporate Governance at Great Lakes Pilotage Authority is the responsibility of the Board of Directors. The Board's role is to guide and supervise the affairs of the entity on behalf of the Government of Canada, by whom the Directors are appointed.

The Board is composed of the Chair and up to six other members, which are all Governor in Council (the GiC) appointed, chosen to ensure that an appropriate mix of expertise, experience and marine perspective is reflected in its decision-making process.

The following is the present composition of the Board:

Position	Representation	Appointment to expire
Chair	Public Interest Representative	March 4, 2016
Vice-Chair	Public Interest Representative	November 21, 2015
Member	Public Interest Representative	December 17, 2015
Member	Pilot Representative	October 3, 2015
Member	Pilot Representative	August 5, 2017
Member	Shipping Industry Representative	December 14, 2014
Member	Shipping Industry Representative	Appointment expired May 13, 2013

Role of the Chair

On the recommendation of the Minister of Transport, the Chair is appointed by the GiC. The Chair presides at all meetings of the Board of Directors, provides leadership and guidance to the CEO of the Authority and on behalf of the Board and advises the Minister of Transport on all issues involving the Authority and Pilotage in the Great Lakes.

Role of the Audit Committee

The Audit Committee is a standing committee of the Authority's Board and represents the engine of the Authority as it will improve the quality of the financial reporting, ensure the key risks are identified and managed, enable the directors to contribute their independent judgement as well as create a climate of discipline and control that will reduce the opportunity for fraud and increase stakeholder confidence in the credibility and objectivity of corporate performance. The Audit Committee is composed of three members of the Board. This committee meets a minimum of four times per annum.

Role of the Governance and Human Resources Committee

The Governance and Human Resources Committee is a standing committee of the Authority's Board that has the responsibility to oversee the governance and human resources issues of the Authority. The mandate of the committee is to review and update the Authority's succession plan, Board member appointments (renewal) and review and update the Authority's By-Laws and Directives. The committee is chaired by the Authority's Vice-Chair and is composed of two other Board members. This committee meets a minimum of four times per annum.

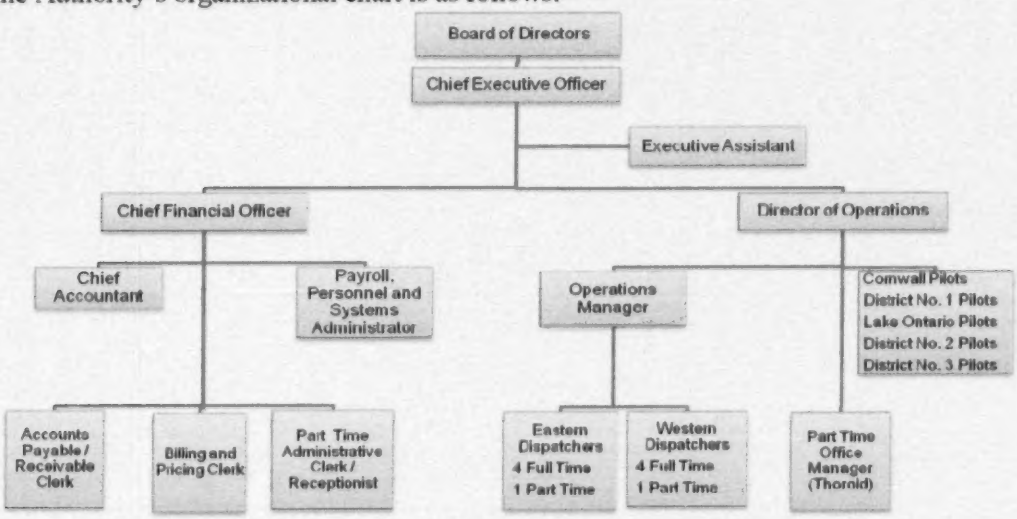
Reporting

The Officers of the Authority are the CEO and the Chief Financial Officer (CFO). The Officers report to the Board through the Chair. The Authority reports to Parliament through the Minister of Transport, who is responsible for tabling the Authority's Annual Report, which includes the Auditor General's report as required under section 150(1) of the *Financial Administration Act* (FAA)

Organizational Structure of the Authority

The Authority's CEO is responsible to plan, organize, direct and control the business of the Authority and reports to the Chair and the Board of Directors. The CEO is appointed by the members of the Board of Directors pursuant to section 13. (1.1) of the *Pilotage Act*.

The Authority's organizational chart is as follows:



Enterprise Risk Management Framework

The Authority is committed to ensure that all risks are identified, assessed and mitigated when deemed appropriate. As such, the Authority applies an Enterprise Risk Management (ERM) approach to its Strategic Planning process.

Risk Definition of Rating and Ranking Methodology

Risk Rating	Financial	Operational				Strategic	
		Human	Property	Vessel(s)	Environmental	Reputation	Disruption of Business
Extreme	Above $10 million cash impact on the Authority	Multiple deaths And multiple people with serious long-term injury Intensive care	Damage to property is such that it ceases operations for a period of time exceeding one month or financial loss exceeds $10 million	Vessel sinks or sustains so much damage that it is a constructive total loss	Incident causes sustained long term harm to environment (i.e. damage lasts greater than a month)	Sustained front page adverse national media coverage International media coverage	Threatens long-term viability of Authority (Operational cessation or major operational issues lasting more than one month)
Very High	Impact on the Authority between $5 and $10 million	Single death And multiple people with serious long-term injury Intensive care	Damage to facilities is such that operations cease for up to one month or financial loss of $5 - $10 million	Vessel sustains damage significant enough to result in towing to dry dock and loss of operations of up to one month	Incident causes sustained medium term harm to environment (i.e. damage lasts up to one month)	Front page adverse national media coverage and intermittent international coverage	Threatens viability of Authority in the medium term (Operational cessation or major operational issues lasting up to one month)
High	$1 -$5 million cash impact	Some people with serious long-term injury and multiple minor injuries	Damage to facilities is such that the operations cease for up to two weeks or financial loss of $1 - $5 million	Vessel sustains significant damage with dry docking and loss of operations for two weeks	Incident causes medium term harm to environment (i.e. damage lasts up to two weeks)	Intermittent adverse national media coverage	Threatens viability of Authority in the short term (Operational cessation or major operational issues lasting up to two weeks)
Medium	Between $500,000 to $1 million cash impact	One person with serious long-term injury Some minor injuries	Damage to facilities cause operations to cease for up to one week or financial impact of $500,000 - $1 million	Vessel sustains damage resulting in loss of operations for one week	Incident causes short term harm to environment (i.e. damage lasts no greater than one week)	Sustained front page adverse local media coverage Board and Ottawa receive complaints from Chamber of Shipping and major clients	Operational issues lasting up to one week but no cessation of business
Low	Up to $500,000 cash impact	Single or multiple minor injuries requiring on site first aid and/or off-site treatment	Damage to facilities cause operations to cease for up to 72 hours or a financial impact up to $500,000	Minor damage with no effect or damage resulting in a loss of operations of no more than 72 hours	Incident causes minimal or intermittent harm to environment over a period of time (i.e. damage lasts no greater than a day)	Intermittent adverse local media coverage Complaints received from Chamber of Shipping and/or clients	No operational issues or operational issues lasting up to 72 hours

Risk Categories

The Authority has categorized its risks in order to assist in the identification and the management of the risks.

Strategic	Risks emanating from the Authority's strategy and decision making.
Financial	Risks pertaining to liquidity, capital availability, capital structure.
Organizational	Risks emanating from the Authority's management of its human resources, including leadership depth and quality, management and labour availability and costs, cultural, etc.
Operational	Risks emanating from the Authority's day-to-day operating processes and activities.
External	Risks emanating from external sources over which the Authority (although impacted) has little control (e.g. macro-economic volatility; industry structural change; political, etc.)
Legal and Regulatory	Risks associated with the Authority's compliance with applicable laws and regulations.
Incident	Risks emanating from incidents (accidents, near misses, etc.) within the Authority's jurisdiction where a pilot is present on board ship.
Emerging	Risks that are emerging on a worldwide scale.

Enterprise Risk Management – Result Assessment

During the Authority's two-day strategic planning session, the Board and Senior Management establish its strategic plan for the following two years. At its last planning session held in June 2013, the Board identified and prioritized the risks with the following risk profiles:

Priority	Risk Title	Category	Likelihood	Impact	Risk Rating
1	Financial Stability	Financial	VERY HIGH	EXTREME	VERY HIGH
2	Pilot Succession	Strategic	EXTREME	MEDIUM	VERY HIGH
3	Management Succession (5 years)	Organizational	VERY HIGH	HIGH	VERY HIGH
4	Foreign Ships' Crew Competency	External	HIGH	HIGH	HIGH
5	Stakeholder Relations/Labour	Strategic	MEDIUM	VERY HIGH	HIGH
6	Environmental Incidents	Operational	MEDIUM	HIGH	MEDIUM
7	Deliver Pilots to Ships	Operational	MEDIUM	HIGH	MEDIUM
8	Technology	Operational	MEDIUM	HIGH	MEDIUM
9	Criminal Liability	Emerging	MEDIUM	MEDIUM	MEDIUM
10	Pilotage Certification	Operational	MEDIUM	LOW	MEDIUM
11	Governance	Strategic	LOW	LOW	LOW

The above risks and associated profiles will be revisited during the Authority's next strategic planning session, which is scheduled for April 2015. In the interim, the Board reviews its ERM each quarter and follows the development of the risk profiles as well as the mitigating actions taken to address each risk.

From the risk profile table noted above, the Authority identified the following 5 risks as its area of priorities for the planning period:

1. *FINANCIAL STABILITY*
2. *PILOT SUCCESSION*
3. *MANAGEMENT SUCCESSION PLANNING*

4. *MANAGING STAKEHOLDER/LABOUR RELATIONS*
5. *TECHNOLOGICAL ADVANCEMENTS*

3. STRATEGIC ISSUES, ENVIRONMENT

ANALYSIS OF THE OPERATIONAL ENVIRONMENT

The following is a list of key strategic issue facing the Authority based on its assessment of recent events and external factors.

(1) TRAFFIC VOLUME

Pilotage service is provided almost entirely to ocean-going vessels (85% of pilotage assignments) although Canadian tankers and non ocean-going vessels (15% of pilotage assignments) are using the Authority's pilotage services on a more regular basis.

Marine traffic during the planning period will be heavily dependent on grain exports and steel movements in and out of the Great Lakes ports. Traffic through the Welland Canal to ports in the upper lakes is important for revenue generation.

Based on the Auditor General of Canada's April 2008 Special Examination Report, fluctuating traffic volume can have a major effect on the Authority's financial situation

The historical levels of pilotage assignments since 1980 indicate that for 18 out of the past 33 years, there is a traffic year to year increase/decrease of over 10%. The 2008 and 2009 pilotage assignments decreased by 42% from 2007 and then the 2010 actual pilotage assignments increased by 36% from 2009.

(2) PILOTAGE TARIFF POLICY

The Water Transport Committee report of 1987 and the Auditor General of Canada's Special Examination Reports of 1993 and 1998 all recommended that the Authority structure its tariffs so that all cost centers are financially self-sufficient and cross-subsidization between districts is to be eliminated.

Tariff Surcharge Strategy

The Authority, with the agreement from the industry, introduced at the start of the 2006 navigation season, a 2% surcharge on all tariffs as a means to generate extra revenue and to enable the Authority to eliminate its accumulated deficit and reduce its reliance on external financing. The 2% surcharge was continued for 2008 and was increased to 6% at the start of the 2009 navigation season. The Authority introduced a 15% surcharge in August 2009 at a time when the economic recession was at its height and traffic levels in the Great Lakes were reduced by 40%. The implementation of the surcharge was supported by the Shipping Federation of Canada, who represents over 90% of the customers, as a temporary measure to offset the destructive effects of the economic downturn. The surcharge was to remain in place until the accumulated deficit of 2009 ($5.6 million) was eliminated as well as to allow the Authority to return to a financial self-sufficiency level. In addition, the

surcharge was also to remain in place until the traffic returned to the pre-recession levels (7,000 assignments).

In 2010, as the slow economic growth allowed the Authority to see its traffic increase and to generate operating surpluses, a gradual reduction of the surcharge was initiated in 2011 as the surcharge was reduced to 12%. The surcharge was still required to permit the Authority to generate surpluses in 2011, 2012, and 2013. The accumulated deficit will be reduced to an estimated $479,000 by the end of 2014 and eliminated by 2015.

Although the Authority has generated surpluses in the last 5 years, traffic levels have not yet returned to pre-recession levels. Therefore, the Authority and the Shipping Federation of Canada have both agreed to maintain the surcharges until economic growth returns and assignment levels become more robust. The industry views this surcharge as part of the entire tariff and sees the elimination of this as a long term goal that stretches beyond the planning period of this Corporate Plan. As the Federation does not wish the Authority to operate in a financially unstable environment, it continues to support this surcharge strategy as part of the tariff discussions. The customer also requires the stability and predictability of the tariff on a long term basis to meet their planning needs, and are therefore more concerned with the net impact of a tariff.

The Authority is in the process of publishing its tariff for the next 3 years with an overall result of net increases of .5% in 2015, 1.5% in 2016 and 1% for 2017. This is achieve by reducing the surcharge from 12% to 11% in 2015 with a further reduction to 10% for 2017.

The Authority has agreed with industry to eliminate the surcharge once traffic levels return to pre-recession levels and the Authority is in a stronger financial position. During the planning period of 2015-2019, the Authority plans to continue its objective to reduce the tariff surcharge. The surcharge is temporary in nature as the percentage is published in the Authority's Tariff Regulations and currently has an expiry date of December 31, 2014. The Authority and the industry review the surcharge on an annual basis. The industry supports the surcharge structure as a means for the Authority to generate extra revenue in order to allow it to be financially self-sufficient.

The Authority has agreed with industry to eliminate the surcharge once traffic levels return to pre-recession levels and the Authority is in a stronger financial position.

2015-2019 Tariffs

During this planning period of 2015-2019, the Authority has budgeted tariff adjustments that will eliminate the accumulated deficit by the end of 2015 and start to generate and to maintain a reasonable surplus at the end of the planning period.

(3) PILOT NUMBERS

In the Great Lakes region, vessels enter and leave the system on a non-scheduled basis under sometimes severe weather and environmental conditions. Therefore, an infrastructure must be in place to ensure safety, provide a pilot on demand (even to exempt vessels) and meet uneven traffic flows. This may be challenging in the future as financial self-sufficiency does not allow the Authority the luxury of having extra pilots to cover sudden and temporary increases in traffic that may never materialize.

Pilot numbers were reduced by 6 pilots, from 62.5 full time equivalent (FTE) pilots, in 2008 and 2009 in order to reduce pilot remuneration costs in a period which had a 42 %reduction in traffic. In 2012, pilot numbers were further reduced by another 0.5 FTE pilot due to the termination of a pilot contract. Based on the forecasted traffic levels, the Authority plans to maintain its current pilot numbers, 56 FTE, for the planning period. However, there will be some slight movement due to timing resulting from retiring pilots and new apprentices. Refer to section 8. *Financial Statements*, subsection (4) *Headcount* for the proposed pilot headcount for the planning period.

Pilot workload was an average of 113 assignments in 2012 and 116 assignments in 2013. The Authority and the industry must accept, as they have since 1994, some vessel delays given the cost of eliminating all delays could be significant. Although assignments per pilot are to be maximized, the Authority needs to ensure this does not exceed a reasonable number as to avoid pilot fatigue and possible safety concerns.

(4) PILOTAGE CAPACITY

The Authority has interpreted its mandate of safety and efficiency to include not only its own financial self-sufficiency but also their application and cost impact on the effectiveness of the Seaway system and to vessel delays. This means having sufficiently trained, qualified and licensed pilots available to serve the industry (generally the foreign ships) with a minimum of pilot delays as delays are extremely costly to the industry.

The Authority recognizes that when it reduces its number of pilots, it also reduces its ability to provide the level of service which the industry has come to expect.

The system must, in its mandate of safety, be capable of providing a pilot to any vessel requesting one regardless of whether it is an exempt vessel. Further, and of major importance, traffic comes into the system unscheduled and often in surges. For traffic surges in the later months of the navigation season, pilot availability is often strained, with overtime situations required.

During the heavy traffic years, pilot numbers were established to service twelve (12) ships per day in the Welland Canal and the Montreal-Lake Ontario section of the St. Lawrence Seaway. Since 2009, the fairly consistent lower levels of traffic patterns over the last 5 years resulted in the a reduction of pilot numbers and the Authority's capacity to service ships to only between five (5) and six (6) ships per day, and only for short periods. The Authority is forecasting traffic for 2014 to be 5% higher than 2013 and levels of traffic similar to 2013 for the planning period of 2015 to 2019. The Authority has been able, through attrition, to reduce pilot numbers since 2008 and continues to monitor traffic levels so that pilot numbers are adequate to meet traffic. The cost of reducing pilots prematurely is significant as pilot recruiting and training costs are estimated to be over $100,000. Reducing pilot numbers too quickly can be devastating to the industry especially when traffic increases unexpectedly.

In order to achieve the Authority's mandate to provide a safe and efficient pilotage service, a delicate balance must be maintained between the resources to be made available and the demand for service with safety being paramount. Achieving this balance could be complicated due to significant deviations in ship size and destinations from historical trends, due to unpredictable and uneven

traffic flows, and due to sharing revenues and traffic in the international sectors which are accomplished through a complex interface with the United States.

(5) PORTABLE PILOTAGE UNITS (PPU)

In 2012, the Authority invested $1 million to purchase PPU's for all of its pilots. These PPU's are a fully integrated software and hardware system designed to function as a situational awareness and decision support tool for marine pilots operating in high-risk marine navigation environments. Prior to 2012, the Authority had funded PPU's for its pilots in the form of a reimbursement amount per assignment but decided in 2012 to purchase these state of the art units. These new PPU's require significant ongoing technical support, system maintenance and training as well as periodic software architecture upgrades to support the integration of the latest advances in e-navigation functionality and navigation chart formats. This decision allowed the Authority to ensure the quality and efficiency of each unit as all units are serviced by an outside supplier using all the same hardware, software and training practices. The Authority and the pilots have a 24/7 support coverage which guarantees continuity and efficiency of the units. The Authority holds ongoing training for its pilots and their PPU's as to take advantage of changing technology and practices.

The PPUs have a useful life of 5 years. Therefore, capital requirements for possible replacements will be required for the 2017 navigation season.

(6) CONTINGENCY PLAN TO MANAGE CHANGE AND CONTINGENCY RESERVE

Now that the Authority is expecting a surplus during the planning period, the Authority will continue to meet with its main users, the Shipping Federation of Canada and the domestic shipowners, to discuss the current traffic forecasts, its impact on the Authority's financial results and the appropriate level of surplus. The users are committed to the Authority return to a positive cash position and will continue to cooperate with the Authority to address the issue.

4. OBJECTIVES, STRATEGIES, AND PERFORMANCE MEASURES

(1) *Continued focus on providing an economic, safe and reliable pilotage service*

Description of the Corporate Objective:

The Authority's main objective of the 2015-2019 planning period is to continue to provide an economic, safe, reliable and comprehensive marine pilotage and related services in the St. Lawrence River and the Great Lakes.

Strategies to Achieve the Objective:

To this end, the Authority's Long Term Training Committee, with pilot representation from each of the pilotage corporations, continues to leverage the system for assessing pilots' competencies and quality of service which it had implemented in 2002.

Based on the Long Term Training Committee's recommendation in 2013, the Authority modified its training objectives for the next five years as to include a module on Bridge Resource Management (BRM). The course provides pilots with the opportunity to refresh their BRM knowledge in order to

facilitate the communication and exchange of information with the captains, while enabling them to work more effectively and efficiently with the bridge team. The ultimate goal is to further reduce the risk of errors on the navigation bridge when the pilots and the captains of the vessels navigate the restricted waters of the St. Lawrence River and the Great Lakes.

The assessment of pilots' competencies and quality of service is ongoing with each pilot evaluation completed. The pilot evaluation is performed at the marine simulator in Quebec City and includes the evaluation of pilotage skills and performance by the Authority's Director of Operations and the pilot's peers. This pilot evaluation assures the industry and the Authority that only qualified pilots are performing pilotage duties. It also permits the Authority to identify areas of development and potential improvements in the delivery of the services.

In 2012, the Authority purchased Portable Pilotage Units (PPU) for all its pilots. The benefits of the PPU's in the restricted waters of the Great Lakes are numerous and have improved delivery of services as well as increased the safety of navigation. For the planning period, the Authority will coordinate annual refresher training on PPU utilization, and thus, allowing all pilots to leverage the full potential of the functionality of the PPUs.

Key Performance Indicators:

1-1 MAJOR INCIDENT

	Targets 2015-2019	*2014 Forecast*	*June 2014 YTD*	*2013*	*2012*	*2011*
Major Incidents	*0*	*0*	*0*	*0*	*0*	*0*

1-2 MARINE INCIDENT

Incident	*Targets 2015-2019*	*2014 Forecast*	*June 2014 YTD*	*2013*	*2012*	*2011*
Collision	-	-	-	-	-	-
Foundering	-	-	-	-	-	-
Fire/Explosion	-	-	-	-	-	-
Grounding	-	*2*	*2*	-	-	*1*
Striking	-	-	-	-	-	-
Contact with Lock Wall	-	*2*	*2*	*9*	*3*	*1*
Touching Bank/Bottom	-	*1*	*1*	-	*3*	*1*
Ice Damage	-	-	-	-	-	-
Ship Arrestor	-	*1*	*1*	-	-	-
TOTAL	*5*	*6*	*6*	*9*	*6*	*3*
Percentage of Incident free Assignments	*99.9%*	*99.9%*	*99.9%*	*99.9%*	*99.9%*	*99.9%*

Synopsis on historical data: *As depicted in the above table, there is no special trend in the incidents.*

(2) *Continued focus on improving the Authority's financial self-sufficiency profile*

Description of the Corporate Objective:

Financial self-sufficiency is achieved by maintaining and controlling expenditures while generating sufficient and adequate revenues. The Authority has been in an accumulated deficit position since 2002 and reached its highest at $5,707,000 in 2009 before the Authority started reporting annual surpluses up to fiscal 2013. As such, the Authority's primary financial objective for the 2015-2019 planning period is to eliminate its existing accumulated deficit of $ 1,764,321by the end of fiscal 2015 and to be financially self-sufficient for the remainder of the planning period.

Strategies to Achieve the Objective:

Financial forecasting and cost control are critical for the Authority to achieve its financial objective of being self-sufficient during the planning period.

Pilot remuneration represents approximately 70% of the Authority's total expenditures. As such, the number of pilots employed has a significant impact on the Authority's financial results given these costs are somewhat fixed in nature. The Authority must always consider pilot age, traffic levels and training period when planning pilot recruitment and budgeting. While a pilot is an apprentice, a period that can range from 4 to 8 months, the cost for training each apprentice, which includes remuneration and travel costs, is borne entirely by the Authority. Thus, an excessive number of apprentice pilots will negatively impact the Authority's financial results as the apprentice training process does not generate any revenue. On the other hand, a lack of apprentice pilots will affect the level of quality service, and may leave the Authority without sufficient pilot strength in the event of unexpected retirements or leaves of absence. Striking a proper balance is therefore important. For the 2015-2019 planning period, the Authority has projected the pilots' demographics and is anticipating starting apprentices in each of the plan years as current pilots are anticipated to retire.

Pilot travel, land transportation costs and pilot boat expenses represent approximately 13% of total expenditures. A further 10% is absorbed by all other operational costs. Administration costs only represent 7% of the Authority's total expenditures. All of these expenditures must be controlled in order to maintain a balanced budget. The Authority will invest wisely in its resources as to operate as efficiently as possible with its limited human resource structure.

To ensure financial self-sufficiency, the Authority will work on a three year tariff adjustment to align its revenue stream with the budgeted expenditures to support the forecasted traffic levels. It will meet with its main users groups to discuss the Authority's objective and assumptions considered for the proposed tariffs. The outcome of these discussions is to obtain their support of the proposed tariff adjustments effective for the start of the 2015 navigation season.

Management will continue to be encouraged to consider innovative ways to improve processes and control costs, without compromising the safety standards of the pilotage services.

Throughout the planning period, management will be reviewing its financial results on a monthly basis to assess year-to-date performance and forecast year-to-go results to keep focus on its financial objectives. The Audit Committee will review the quarterly financial statements and revised forecasts as an oversight measure that expenditures are in line with budget.

The Authority will continue to meet its main user of the service, the Shipping Federation of Canada – Pilotage Committee (Foreign vessels), on a periodic basis to have open and transparent discussions of the Authority's operational, financial, administrative and labour issues, with the view to enhance the partnership between the Authority and its users. The Authority also meets with its other user, the Canadian Shipowners (Domestic vessels), to review the service levels and tariff requirements.

Key Performance Indicators:

2-1 FORECASTING ACCUARCY - COMPREHENSIVE INCOME (OCI)

(in $'000)	*2015*	*2014*	*2013*	*2012*	*2011*
OCI-Target	*$ 527*	*$ 1,145*	*$ 953*	*$ 792*	*$1,059*
*OCI-Actual **		*1,285*	*900*	*376*	*654*
Variance		*140*	*(53)*	*(416)*	*(405)*
% Accuracy		*112.2%*	*94.4%*	*47.5%*	*61.8%*

** 2014 OCI is the revised forecast based on June 2014 YTD results and forecasted YTG financial results.*

2-2 ACCUMULATED DEFIT ELIMINATION BY 2015

(in $'000)	*2016*	*2015*	*2014*	*2013*	*2012*	*2011*
Retained earnings (Acc. deficit), beginning	*$ 48*	*$ (479)*	*$ (1,764)*	*$ (2,664)*	*$ (3,040)*	*$ (3,694)*
*OCI **		*527*	*1,285*	*900*	*376*	*654*
Retained earnings (Acc. deficit),, ending		*$ 48*	*$ (479)*	*$ (1,764)*	*$ (2,664)*	*$ (3,040)*

** 2014 OCI is the revised forecast based on June 2014 YTD results and forecasted YTG financial results.*

2-3 COST PER ASSIGNMENT

	2019	*2018*	*2017*	*2016*	*2015*	*2014*	*2013*	*2012*	*2011*
Cost per assignment	*$3,667*	*$3,589*	*$3,550*	*$3,483*	*$3,408*	*$3,282*	*$3,332*	*$3,084*	*$3,023*
% Increase from prior year	*2.19%*	*1.10%*	*1.92%*	*2.21%*	*3.83%*	*(0.75%)*	*8.04%**	*2.00%*	

** The 2013 % increase from prior year was mainly a result of the high double pilotage and overtime due to the record cold weather in December causing early freeze up, numerous Seaway closures due to ice-related issues and ice-related navigation stoppage.*

(3) *Favourable Internal Audit Reports*

Description of the Corporate Objective:

The Authority is continuing the internal audit assessments in 2014 and for the remainder of the planning period. The outcome of this exercise is to obtain an opinion from the internal auditors that the overall ability of the controls identified to mitigate risk in the processes being audited to an acceptable level is rated as *satisfactory.*

Strategies to Achieve the Objective:

To maintain appropriate levels of internal controls, management has been assessing its control environment to identify potential risk areas, developing procedures to address weaknesses identified, and formalizing and documenting procedures. It will continually evaluate its processes for improvements during the planning period.

Over the course of the planning period, management will target specific processes to self-assess and introduce compensating controls when deemed beneficial, cost effective, and reasonably be supported by its current structured and limited resources.

Management will report its findings to the Audit Committee on a periodic basis.

Key Performance Indicators:

The Authority's ongoing focus on strong internal controls will allow it to achieve its objective - to obtain a "satisfactory" conclusion on all internal audit reports.

(4) *Strengthening Strong Customer Relations*

Description of the Corporate Objective:

The Authority's objective is to maximize the efficiency of the pilotage system by being attentive to its customers' business needs in a joint effort to ensure a profitable and efficient pilotage service within the Great Lakes region for commercial vessels.

Strategies to Achieve the Objective:

Management is initiating a customer satisfaction survey in the Fall of 2014. Based on the feedback, the Authority will assess its strengths in meeting its customers' needs as well as its areas where performance falls short of the expectations. It will develop an action plan to address the crucial service areas identified in the survey. Once the action plan is approved by the Board, management will communicate the results and its action plans with its customers.

After a period of time following the implementation of recommendations, the Authority will follow-up with another customer satisfaction survey.

Aside from the satisfaction survey, the Authority will continue to meet with its main user groups to ensure transparency in the pilotage operations and obtain constructive feedback on the delivery of service.

Key Performance Indicators:

To achieve its objective, the Authority is to obtain a greater customer satisfaction rating on its second survey in comparison of the first survey results.

(5) *Modernizing*

Description of the Corporate Objective:

The Authority is anticipating upgrading its current Dispatch and Billing system for the 2016 navigation season. Along with the system upgrade, the Authority will also be reviewing its current

processes to revamp the system to better meet its needs and its customer needs as well as ensure its resources are utilized to their full potential.

The Authority will work on the detailed requirement collection, the development and configuration, the testing and the training to meet its early March 2016 implementation date. The system is to be fully operational for the beginning of the 2016 navigation season.

Strategies to Achieve the Objective:

Management will develop a project schedule which will illustrate the timelines for various progression stages, objectives for each stage and process ownership and key contributors. Periodic meetings will be held with the vendor as to discuss progress, identify issues and action plans to resolve the identified issues.

Key Performance Indicators:

To have successfully achieved its objectives, system upgrades must be completed prior to the beginning of the 2016 navigation season. Another success indicator is the user assessment that the system and the processes are more efficient, more user friendly vs. the previous version and that their concerns have been addressed appropriately in the upgrade process.

(6) Special Examination

Description of the Corporate Objective:

As required by Part X of the FAA, the Auditor General of Canada is to carry out a special examination of the financial and management control and information systems and management practices maintained by the Great Lakes Pilotage Authority. The Authority is required by paragraphs 131(1)(b) and 131(2)(a) and (c) of the FAA to maintain these systems and practices in a manner that will provide reasonable assurance that the following requirements are met:

- the assets of the Authority are safeguarded and controlled;
- the financial, human, and physical resources of the Authority are managed economically and efficiently; and
- the operations of the Authority are carried out effectively.

The next Special Examination is scheduled for 2018 unless the Office of the Auditor General deems it necessary for a Special Examination before that date. The Authority's objective is to have a clean report stating that there are no significant deficiencies in its systems.

Strategies to Achieve the Objective:

Management will review the findings noted in the Auditor General of Canada's 2007 Special Examination Report. It will continue to focus its attention on sound controls, leveraging the ERM process and assessing the existing controls. It will also leverage the Auditor General of Canada's management letter point recommendations, if any, that follow the audited financial statements as well as any recommendations identified in the internal audit reports.

Key Performance Indicators:

To have successfully achieved its objectives, the Authority is to be assessed as having no significant deficiencies stipulated in the Auditor General of Canada's next Special Examination Report.

(7) Major Regulatory Initiative

The Authority has no regulatory initiative for the planning period 2015-2019 other than periodic tariff amendments to the *Great Lakes Pilotage Tariff Regulations*. These amendments are not major in nature and the Authority consults its user groups prior to any amendments such that they usually receive support from all stakeholders and users of the Pilotage Services in the Great Lakes.

5. GOVERNMENT DIRECTION

The Authority has not been issued any other directive by the GiC.

6. SUPPORT FOR GOVERNMENT POLICIES

COST CONTAINMENT

The Authority continues to support government initiatives to improve service levels, increase efficiencies and reduce costs to users over the long term. The Authority will also continue to review all operating costs going forward and place importance on the oversight of discretionary spending. These actions assure the users that the Authority adheres to the spirit and intent of cost containment.

COMPLIANCE WITH OTHER ACTS OF PARLIAMENT AND GOVERNMENT PROGRAMS

The Authority fully complies with the *Federal Identity Program*, the *Access to Information Act, Privacy Act, Official Languages Act* and the *Employment Equity* legislation. This compliance is monitored by the respective Government departments. The Authority also follows all the regulations listed in the FAA *and the Regulations* governing Crown Corporations.

7. FINANCIAL STATEMENTS

ASSUMPTIONS USED FOR DEVELOPMENT OF THE CORPORATE PLAN

(1) TRAFFIC VOLUME

The Authority held discussions in May 2014 with its users, the Shipping Federation of Canada to discuss traffic projections for 2014 and the planning period. As a result of this meeting and based on management's assessment, the Authority forecasts a 5% increase in traffic for 2014 compared to 2013, a 2% increase in traffic for 2015 in comparison to 2013, and the same traffic as in 2013 for the other years of the planning period. Thus, the assignment count is: 6,723 for 2014 (an increase of 320 assignments from 2013); 6,531 assignments for 2015, and 6,403 for 2016 to 2019.

NUMBER OF PILOTAGE ASSIGNMENTS (2004-2019)

# of years	Year		Actual # of assignments	% change from prior year	Years over 10% change	Average # of assignments in the last 5 years	Average # of assignments in the last 10 years
1	**2004**		**6,398**	**12%**	**X**	6,847	7,162
2	2005		6,443	1%		6,415	7,197
3	**2006**		**7,331**	**14%**	**X**	6,498	7,240
4	2007		7,177	-2%		6,617	7,238
5	**2008**		**5,989**	**-17%**	**X**	6,668	6,929
6	**2009**		**4,468**	**-25%**	**X**	6,282	6,565
7	**2010**		**6,059**	**36%**	**X**	6,205	6,310
8	2011		6,389	5%		6,016	6,257
9	2012		6,358	0%		5,853	6,235
10	2013		6,403	1%		5,935	6,302
11	2014	Forecast	6,723	5%		6,386	6,334
12	2015	Forecast	6,531	-3%		6,481	6,343
13	2016	Forecast	6,403	-2%		6,484	6,250
14	2017	Forecast	6,403	0%		6,493	6,173
15	2018	Forecast	6,403	0%		6,493	6,214
16	2019	Forecast	6,403	0%		6,429	6,408

(2) PILOTAGE TARIFFS

During the planning period of 2015-2019, the Authority plans the following general tariff increases and adjustments to the tariff surcharge:

Tariff adjustments and tariff surcharge over the planning period

	ACTUAL 2012	ACTUAL 2013	ACTUAL 2014	PROPOSED 2015	PROPOSED 2016	PROPOSED 2017
Regular tariff increase	2.0%	2.5%	2.5%	1.50%	1.50%	2.0%
Tariff surcharge	12.0%	12.0%	12.0%	11.00%	11.0%	10.0%
Net impact	2.0%	2.5%	2.5%	0.5%	1.5%	1.0%

* the surcharge was decreased from 15% in 2010 to 12% in 2011.

The Authority is planning regular tariff adjustments lower than the projected wage increases in 2015 and 2016 as the financial results in the past few years have yielded the planned deficit reductions. There is no justification to burden the industry with greater increases than those that are required. As the Authority is returning to a surplus position, the tariff increases are to ensure the Authority is financially self-sufficient without generating significant surplus. In consultation with its customer base, the focus has been on modest regular tariff increases with slight reductions in the tariff surcharges.

Should the Authority's financial results be more favourable than forecasted, it would review the planned tariff surcharge adjustments as to pass along these favourable financial results with its customer base. It is considered more effective to enter into an unplanned reduction in tariff surcharge process than to greatly reduce the tariff surcharge and then request a subsequent increase should the results not be as favourable.

(3) GENERAL INFLATION

Unless otherwise stipulated, a general 2% inflation (cost of living) increase has been assumed for each of the years in the planning period.

(4) HEADCOUNT

Pilots

Although pilot retirements for the planning period are unknown at this time, the Authority has forecasted anticipated retirements and corresponding new hires.

(5) WAGE INCREASES

The planning assumptions for wages are as follows:

Employee Group	2015	2016
Pilots	2.75%	2.75%
P.S.A.C.	2.75%	2.75%
Non-unionized	2.00%	2.00%

	Increase per collective agreements
	General inflation assumed

(6) PILOT BOAT

The Authority contracts for pilot boat services at both Port Weller and Port Colborne. These contracts are in place up to the end of the 2014 navigation season.

The Authority continues to follow past strategies of contracting out pilot boat services for the Welland Canal. An alternative approach would be to invest in a pilot boat and increase staffing levels for pilot boat operators as well as incurring high repair and maintenance costs. The financial analysis of both options demonstrates the pilot boat contract option is more beneficial and cost economical to the Authority, and thus, there are no future plans to revisit to current strategy.

The Authority has budgeted cost of living increases for the planning period.

(7) LAND TRANSPORTATION

The contract for Land Transportation services to transfer pilots between St. Lambert and Beauharnois, Quebec, and Cornwall, Ontario was renegotiated at the end of 2013 with a 0% increase for the 2014 and 2015 navigation seasons. The contract for Land Transportation services to transfer pilots between Cornwall, Ontario and Snell Lock (U.S.), St. Lambert, Quebec and Cape Vincent, New York will expire on December 31, 2014. The contract for the Land Transportation services to transport pilots to points in the area of the Welland Canal will expire on December 31, 2014.

The cost of obtaining these services will be directly related to the volume of assignments.

It is difficult to forecast these cost increases over the planning period because of the upward or downward pressure on oil and gas prices and insurance costs. The Authority has budgeted cost of living increases for the planning period.

(8) LEASES

The Authority relocated its head office to its current location in 1994. In January 2014, the Authority re-negotiated its head office lease contract for the next ten (10) years, which expires on January 31, 2024. This lease has an annual cost of approximately $66,000 for 2014, a 22% decrease from the 2013 cost. Per the agreement, the lease costs increase annually as per the Canadian Consumer Price Index for 2015 and subsequent years. The landlord is the St. Lawrence Seaway Management Corporation.

(9) COMPUTER SYSTEM SUPPORT

The Authority has a software support agreement for its dispatch/billing/accounts receivable system. The agreements expire on June 30, 2015. The Authority is pursuing an upgrade of this technology. However, the associated computer system support fees are expected to remain comparable with the current contract.

(10) PORTABLE PILOTAGE UNITS (PPU)

The Authority and the pilots have a 24/7 support contract that guarantees continuity and efficiency of the PPUs. This contract ends in December 31, 2016. The cost for this support is $100,000 per year. The Authority will be seeking to replace the current PPUs for the 2017 navigation season, and at which time, it will enter into a similar technical support contract with similar terms and cost as in the current contract, adjusted for general inflation.

STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

GREAT LAKES PILOTAGE AUTHORITY
CORPORATE PLAN (in 000's)

	ACTUAL 2013	FORECAST 2014	BUDGET 2015	BUDGET 2016	BUDGET 2017	BUDGET 2018	BUDGET 2019
REVENUES							
PILOTAGE	$ 19,585	$ 20,597	$ 20,263	$ 20,170	$ 20,573	$ 21,079	$ 21,808
SURCHARGE	2,322	2,443	2,202	2,192	2,033	1,875	1,725
INVESTMENTS	11	20	29	29	29	29	29
OTHER	305	290	288	288	288	288	288
TOTAL	$ 22,223	$ 23,350	$ 22,782	$ 22,679	$ 22,923	$ 23,271	$ 23,850
EXPENSES							
PILOT WAGES	$ 8,393	$ 8,448	$ 8,728	$ 8,972	$ 9,299	$ 9,211	$ 9,307
PILOT OVERTIME	2,212	2,109	1,917	1,893	1,940	1,956	1,953
PILOT PRODUCTIVITY	2,248	2,676	2,837	2,491	2,307	2,518	2,717
PILOT FRINGE BENEFITS	2,015	1,863	1,814	1,899	1,964	1,942	2,020
OPERATION SALARIES	907	996	1,085	1,044	1,065	1,071	1,090
OPERATION FRINGE BENEFITS	227	266	275	270	277	281	287
TRAVEL EXPENSES	1,419	1,559	1,497	1,534	1,563	1,600	1,633
PILOT BOAT	892	918	911	934	949	964	980
LAND TRANSPORTATION	490	512	507	520	530	541	552
PILOT PORTABLE UNITS - AMORTIZATION	207	207	207	207	240	240	240
PILOT PORTABLE UNITS - MAINTENANCE	100	100	100	102	104	106	106
EMPLOYEE FUTURE BENEFITS	171	269	249	244	239	231	231
COMMUNICATION	40	40	41	43	44	44	45
DISPATCH SERVICES	289	285	290	251	256	256	256
UTILITIES, SUPPLIES & RENT	197	148	151	158	161	164	167
TRAINING	64	121	125	125	125	125	125
TOTAL	$ 19,871	$ 20,517	$ 20,734	$ 20,687	$ 21,063	$ 21,250	$ 21,709
OPERATING MARGIN	$ 2,352	$ 2,833	$ 2,048	$ 1,992	$ 1,860	$ 2,021	$ 2,141
ADMINISTRATION EXPENSES							
SALARIES	$ 715	$ 780	$ 750	$ 766	$ 792	$ 807	$ 823
FRINGE BENEFITS	179	214	218	222	237	244	252
UTILITIES AND RENT	100	117	119	127	129	132	132
DIRECTOR FEES	61	60	60	57	57	57	57
DIRECTOR TRAVEL	65	65	65	75	77	78	78
ADMINISTRATION TRAVEL	66	83	75	90	92	94	94
COMMUNICATION	15	15	34	34	35	35	35
EMPLOYEE FUTURE BENEFITS	14	2	-	-	-	-	-
PROFESSIONAL FEES	184	145	125	115	120	160	175
TRAINING	5	17	17	20	20	21	21
AMORTIZATION	27	32	37	86	86	81	86
BAD DEBT EXPENSE	5	-	-	-	-	-	-
INTEREST EXPENSE	22	18	21	21	21	21	21
TOTAL	$ 1,458	$ 1,548	$ 1,521	$ 1,613	$ 1,666	$ 1,730	$ 1,774
SURPLUS FROM OPERATIONS	$ 894	$ 1,285	$ 527	$ 379	$ 194	$ 291	$ 367
OTHER COMPREHENSIVE INCOME:							
Actuarial gain (loss) on employee benefits	5	-	-	-	-	-	-
NET SURPLUS (DEFICIT)	$ 899	$ 1,285	$ 527	$ 379	$ 194	$ 291	$ 367

STATEMENT OF FINANCIAL POSITION

GREAT LAKES PILOTAGE AUTHORITY
CORPORATE PLAN (in 000's)

	ACTUAL 2013	FORECAST 2014	BUDGET 2015	BUDGET 2016	BUDGET 2017	BUDGET 2018	BUDGET 2019
ASSETS							
CURRENT							
CASH AND CASH EQUIVALENTS	$ 2,305	$ 1,044	$ 2,682	$ 822	$ 765	$ 912	$ 1,706
INVESTMENTS	2,156	6,220	5,800	6,800	7,200	7,900	8,200
ACCOUNTS RECEIVABLE	4,030	3,000	2,800	2,500	2,700	2,800	2,600
PREPAIDS	34	50	50	50	50	50	50
	8,525	10,314	11,332	10,172	10,715	11,662	12,556
NON-CURRENT							
PROPERTY AND EQUIPMENT	497	399	279	975	804	637	467
INTANGIBLE ASSETS	212	143	249	565	450	336	220
	709	542	528	1,540	1,254	973	687
TOTAL ASSETS	$ 9,234	$ 10,856	$ 11,860	$ 11,712	$ 11,969	$ 12,635	$ 13,243
LIABILITIES							
CURRENT							
ACCRUED SALARIES AND BENEFITS	$ 6,921	$ 7,345	$ 8,030	$ 7,600	$ 7,675	$ 8,065	$ 8,390
OTHER ACCOUNTS PAYABLE AND ACCRUED CHARGES	408	450	450	450	450	450	450
EMPLOYEE BENEFITS	265	457	341	250	247	315	300
	7,594	8,252	8,821	8,300	8,372	8,830	9,140
NON-CURRENT							
EMPLOYEE BENEFITS	3,404	3,083	2,991	2,984	2,977	2,893	2,824
TOTAL LIABILITIES	10,998	11,335	11,812	11,285	11,348	11,723	11,964
EQUITY							
ACCUMULATED SURPLUS (DEFICIT)	(1,764)	(479)	48	427	621	912	1,279
TOTAL LIABILITIES AND EQUITY	$ 9,234	$ 10,856	$ 11,860	$ 11,712	$ 11,969	$ 12,635	$ 13,243

STATEMENT OF CHANGES IN EQUITY

GREAT LAKES PILOTAGE AUTHORITY
CORPORATE PLAN (in 000's)

	ACTUAL 2013	FORECAST 2014	BUDGET 2015	BUDGET 2016	BUDGET 2017	BUDGET 2018	BUDGET 2019
BALANCE, BEGINNING OF YEAR	$ (2,664)	$ (1,764)	$ (479)	$ 48	$ 427	$ 621	$ 912
PROFIT FOR THE YEAR	900	1,285	527	379	194	291	367
BALANCE, END OF YEAR	$ (1,764)	$ (479)	$ 48	$ 427	$ 621	$ 912	$ 1,279

STATEMENT OF CASH FLOW

GREAT LAKES PILOTAGE AUTHORITY
CORPORATE PLAN (in 000's)

	ACTUAL 2013	FORECAST 2014	BUDGET 2015	BUDGET 2016	BUDGET 2017	BUDGET 2018	BUDGET 2019
OPERATING ACTIVITIES							
PROFIT FOR THE YEAR	$ 894	$ 1,285	$ 527	$ 379	$ 194	$ 291	$ 367
ITEMS NOT AFFECTING CASH:							
EMPLOYEE BENEFITS	(81)	(129)	(208)	(97)	(11)	(16)	(84)
AMORTIZATION AND DEPRECIATION	234	239	244	293	326	321	326
CHANGES IN NON-CASH WORKING CAPITAL ITEMS:							
Decrease (Increase) in accounts receivable	(1,171)	1,030	200	300	(200)	(100)	200
Decrease (Increase) in prepaid expenses	27	(16)	-	-	-	-	-
Increase (Decrease) in accrued salaries and benefits	1,286	424	685	(430)	75	390	325
Increase (Decrease) in other accounts payable and accrued charges	20	42	-	-	-	-	-
CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,209	$ 2,875	$ 1,448	$ 445	$ 384	$ 886	$ 1,134
INVESTING ACTIVITIES							
PURCHASE OF INVESTMENTS	(2,557)	(6,220)	(5,800)	(6,800)	(7,200)	(7,900)	(8,200)
DISPOSAL OF INVESTMENTS	3,105	2,156	6,220	5,800	6,800	7,200	7,900
ACQUISITION OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS	(18)	(72)	(230)	(1,305)	(40)	(40)	(40)
CASH PROVIDED (USED) IN INVESTING ACTIVITIES	$ 530	$ (4,136)	$ 190	$ (2,305)	$ (440)	$ (740)	$ (340)
CASH AND CASH EQUIVALENTS							
NET INCREASE (DECREASE) IN CASH DURING THE YEAR	1,739	(1,261)	1,638	(1,860)	(56)	146	794
CASH, BEGINNING OF YEAR	566	2,305	1,044	2,682	822	765	912
CASH, END OF YEAR	$ 2,305	$ 1,044	$ 2,682	$ 822	$ 765	$ 912	$ 1,706

8. CAPITAL BUDGET

GREAT LAKES PILOTAGE AUTHORITY
CORPORATE PLAN (in 000's)

	ACTUAL 2013	FORECAST 2014	BUDGET 2015	BUDGET 2016	BUDGET 2017	BUDGET 2018	BUDGET 2019
BUILDINGS							
	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FURNITURE AND FIXTURES							
Defibrillator	$ 2						
2 Dispatching Consoles		$ 44					
Kitchenette for Dispatchers		$ 4	$ 2				
Furniture for new Operations Supervisor			$ 3				
Office Furniture (previously 2006)			$ 10	$ 10	$ 10	$ 10	$ 10
	$ 2	$ 48	$ 15	$ 10	$ 10	$ 10	$ 10
LEASEHOLD IMPROVEMENTS							
Renovations (accessibility)		$ 20					
Carpeting (previously in 1994)			$ 10				
Window treatment (previously in 2000)			$ 15				
Other replacements				$ 10	$ 10	$ 10	$ 10
	$ -	$ 20	$ 25	$ 10	$ 10	$ 10	$ 10
COMPUTER AND COMMUNICATION EQUIPMENT							
Computer, server, telecommunication	$ 1	$ 4	$ 15	$ 10	$ 3	$ 3	$ 3
Replacement of Portable Pilotage Units				$ 840	$ 7	$ 7	$ 7
	$ 1	$ 4	$ 15	$ 850	$ 10	$ 10	$ 10
SOFTWARE							
System Development-new Pilotage Certification Program	$ 11						
System Enhancements - Dispatching	$ 3						
Upgrade to Dispatch and Billing System			$ 175	$ 75			
Replacement of Portable Pilotage Units				$ 360	$ 3	$ 3	$ 3
Simulator Software Development					$ 7	$ 7	$ 7
	$ 14	$ -	$ 175	$ 435	$ 10	$ 10	$ 10
TOTAL	**$ 17**	**$ 72**	**$ 230**	**$ 1,305**	**$ 40**	**$ 40**	**$ 40**

Overview of Significant Capital Expenditure Plan

Upgrade to Dispatch and Billing System

As previously highlighted in the *Technical Advancement* sub-section of the *Enterprise Risk Management Framework* section, the Authority plans to spend $175,000 in 2015 and $75,000 in 2016 to upgrade and migrate from its present dispatch/billing/accounts receivable computer system to a web based system. The present system is eight years old and maintenance of the system has become an issue as its operating on outdated software. During the planning period, the Authority plans to spend a total of $20,000 per year for 2017 to 2019 on upgrades to the database used for training of Authority pilots at the pilot simulator in Quebec City/Owen Sound and/or office hardware and software.

Replacement of Portable Pilotage Units (PPU)

As previously highlighted in the *Portable Pilotage Units* sub-section of the *Strategic Issues, Environment* section, the PPU is a valuable tool to assist pilots in their navigation decision making

process. The Authority considers the PPU as essential aid in achieving its objective on providing an economic, safe and reliable pilotage service. The current PPUs' five year useful life ends in 2016.

Other Capital Expenditures

None of the capital expenditures represent significant costs to the Authority. The deferral of capital spending cannot be maintained at the same level and office renovations and furniture/equipment replacement is required over the planning period.

Implications on cash flows and loans

The Authority anticipates being able to generate the necessary funds to meet its capital expenditures without requiring a loan or a significant use of the line of credit. Should the line of credit be used, it will simply be for a manageable period of time without negatively impacting its financial results. The Authority believes it will have excess funds invested to offset these capital investments.

Appropriations

The *Canada Marine Act* amended the *Pilotage Act* in Section 36.01 and does not allow an appropriation by Parliament to enable the Authority to discharge any obligation or liability. The Authority must maximize all its returns to increase its revenues so that Parliamentary Appropriations do not become a necessity.

APPENDIX 1

GREAT LAKES PILOTAGE AUTHORITY

CORPORATE PLAN

STATEMENT OF PILOT REMUNERATION AND PILOT NUMBERS

PILOT REMUNERATION (000'S)	ACTUAL 2013	FORECAST 2014	BUDGET 2015	BUDGET 2016	BUDGET 2017	BUDGET 2018	BUDGET 2019
BASIC WAGES	$ 8,393	$ 8,448	$ 8,728	$ 8,972	$ 9,299	$ 9,211	$ 9,307
OVERTIME	2,212	2,109	1,917	1,893	1,940	1,956	1,953
PRODUCTIVITY	2,248	2,676	2,837	2,491	2,307	2,518	2,717
	$ 12,853	$ 13,233	$ 13,482	$ 13,356	$ 13,546	$ 13,685	$ 13,977
EQUIVALENT TO FULL TIME PILOT NUMBERS							
CORNWALL PILOTS	18.0	17.0	17.0	17.0	17.0	17.0	17.0
CORNWALL APPRENTICE	1.0	1.0	1.0	1.0	1.0	-	1.0
CORNWALL CONTRACT PILOTS	1.0	1.0	1.0	1.5	2.0	2.0	1.5
DISTRICT NO. 1 PILOTS	7.0	7.0	7.0	7.0	7.0	6.0	6.0
DISTRICT NO. 1 APPRENTICE	-	-	-	-	-	1.0	1.0
DISTRICT NO.1 CONTRACT PILOTS	-	-	-	-	-	-	-
LAKE ONTARIO PILOTS	6.0	6.0	4.0	5.0	5.0	5.0	4.0
LAKE ONTARIO APPRENTICES	-	-	1.0	-	-	-	1.0
LAKE ONT. CONTRACT PILOTS	-	-	0.5	0.5	0.5	0.5	0.5
DISTRICT NO. 2 PILOTS	20.0	19.0	19.0	19.0	19.0	20.0	18.0
DISTRICT NO. 2 APPRENTICES	-	1.0	1.0	2.0	2.0	-	2.0
DISTRICT NO. 2 CONTRACT PILOTS	1.0	1.0	1.0	0.5	1.0	1.0	0.5
DISTRICT NO. 3 PILOTS	3.0	2.0	3.0	3.0	3.0	2.0	3.0
DISTRICT NO. 3 APPRENTICES	-	1.0	-	-	-	1.0	-
DISTRICT NO. 3 CONTRACT PILOTS	-	-	-	-	-	-	-
CHURCHILL	-	-	-	-	-	-	-
	57.0	56.0	55.5	56.5	57.5	55.5	55.5